

**UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
DALLAS DIVISION**

**SECURITIES AND EXCHANGE  
COMMISSION,**

**Plaintiff,**

**V.**

**KENNETH W. CRUMBLEY, JR., AND  
SEDONA OIL & GAS CORPORATION,**

**Defendants.**

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**CIVIL CASE NO: 3:16-CV-0172L**

**FILED UNDER SEAL**

**RECEIVER'S APPLICATION FOR AUTHORITY  
TO EMPLOY ACCOUNTANTS**

TO THE HONORABLE SAM A. LINDSAY, UNITED STATES DISTRICT COURT JUDGE:

Becky McGee (the "Receiver"), the duly appointed Receiver over the assets, books, records and other property of Sedona Oil & Gas Corporation, Kenneth W. Crumbley, Jr., and related entities (collectively, the "Receivership Defendants"), files her Application for Authority to Employ Accountants (the "Application"), and would respectfully show unto the Court as follows:

**I. BACKGROUND**

1. On January 21, 2016, the Securities and Exchange Commission (the "SEC") filed its Complaint (the "SEC Complaint") with the United States District Court for the Northern District of Texas (the "District Court") against the Defendants setting forth the SEC's allegations of various violations and breaches of the federal securities laws in Cause No. 3:16-CV-0172L in the United States District Court for the Northern District of Texas, Dallas Division ("SEC Enforcement Action"). The SEC Complaint sought, among other things, the appointment of a

receiver over the property and estates of the Receivership Defendants (the “Receivership Estates”).

2. On January 21, 2016 this Court entered its Order Appointing Receiver and Order Granting Ex Parte Temporary Restraining Order, Freezing Assets, Granting Other Equitable Relief, and Setting Hearing for Preliminary Injunction (“Freeze Order”).

## **II. RELIEF REQUESTED**

3. By this Application, the Receiver requests authority to employ the accounting firm of LSS&M to perform certain forensic accounting services as well as general accounting services as may be needed by the Receiver.

4. The Receiver has selected LSS&M because it has considerable experience and expertise in the matters and issues involved in federal equity receiverships and SEC enforcement actions. Specifically, the Receiver has selected LSS&M for its experience in forensic accounting, which entails, among other things, reconstructing historical cash flows for the purposes of evaluating certain causes of action and potential recoveries. The Receiver believes that LSS&M is well qualified to perform the forensic accounting services required by the Receiver. Those forensic accounting services include, among other things: (a) compile accurate cash flow statements and tracing; accurate financial statements; accurate accounting data that can assist the Receiver and her professionals to determine and analyze whether potential claims or causes of action exist for, among other things, fraudulent transfers; and (b) providing such other accounting services as required and as requested by the Receiver.

5. In addition to its forensic accounting expertise, the Receiver seeks to retain LSS&M because it has considerable expertise in general accounting services. The Receiver believes that LSS&M is well qualified to provide general accounting services to the Receiver and

her professionals, as requested by the Receiver and to the extent those services are not otherwise performed by other professionals. The general accounting services may include, among others: (a) assisting the Receiver and her professionals to determine the Receivership Estates' assets and their fair and/or market value; (b) assisting the Receiver and her professionals to determine the Receivership Estates' liabilities; (c) assisting the Receiver and her professionals to prepare any tax returns due from the Receivership Estates; and (d) consulting with the Receiver and her professionals, the Receivership Defendants, the Receivership Estates' creditors, and others regarding accounting, tax and financial matters.

6. To the best of the Receiver's knowledge, (a) LSS&M represents no interest adverse to the Receivership Estates or to any other entity in connection with the Receivership or SEC Enforcement Action; and (b) LSS&M has no relationship or connection with the Receivership Estates' creditors or other parties in interest.

7. The Receivership proposes to pay LSS&M its reasonable fees earned and necessary out-of-pocket expenses incurred upon the submission, and this Court's approval, of LSS&M's fee applications. It is anticipated that LSS&M will assign Milo Segner as the lead accountant and his hourly charge is \$425.00. LSS&M may assign other professionals approved in advance by the Receiver and those fees will range between \$145.00-395.00 per hour.

### **III. PRAYER**

WHEREFORE, PREMISES CONSIDERED, the Receiver respectfully requests that the Court enter an order, in the form attached hereto as Exhibit "A." (i) granting this Application; (ii) authorizing the Receiver to retain LSS&M as her accountants to perform the services set forth above under the terms set forth herein; and (iii) granting the Receiver such other relief as to

which she has shown herself to be justly entitled.

Respectfully submitted,

/s/ James M. McGee

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**COUNSEL FOR BECKY MCGEE, RECEIVER**

**CERTIFICATE OF SERVICE**

I certify that on January 29, 2016, a copy of the foregoing document was served by the Electronic Case Filing System for the United States District Court for the Northern District of Texas.

/s/ James M. McGee

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